

Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 PA-04 PRS-01 USIA-15 CIAE-00

COME-00 EB-11 INR-10 LAB-06 NSAE-00 RSC-01 SPC-03

STR-08 TRSE-00 CIEP-02 OMB-01 ARA-16 NEA-10 AID-20

CEA-02 FRB-02 SIL-01 DRC-01 /160 W

----- 016119

R 161927Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5651

INFO AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMCONSUL BREMEN

AMCONSUL MILAN

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PASS AGRICULTURE FOR FAS HUME, MEEKER, STEVENSON FROM
WEBB. ROME, BONN, BRUSSELS FOR AGRIC. ATTACHES.
MILAN FOR AGRIC. OFFICER

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: PLENARY MEETING OF ICAC

REF: FASTO 366 TO LONDON

1. FOLLOWING ACTIONS BY COTTON EXPORTING COUNTRIES
TO CURTAIL 1973-74 EXPORTS AGAINST EARLY CONTRACTS AT
PRICES SUBSTANTIALLY BELOW CURRENT MARKET LEVEL HAVE
BEEN TAKEN: (A) BRAZIL HAS EMBARGOED COTTON EXPORTS
UNTIL MARCH 31, 1974; (B) MEXICO HAS ANNOUNCED ITS
INTENTION TO SHIP BALES OF 400 LBS. AGAINST CONTRACTS
CALLING FOR 500 LBS.; (C) BOLIVIA HAS IMPOSED MINIMUM
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EXPORT PRICE OF 56 U.S. CENTS PER LB. THAT INVALIDATES

CONTRACTS AT LOWER PRICE COVERING SUBSTANTIALLY ALL OF 1973 CROP; AND (D) SYRIA HAS ANNOUNCED REQUIREMENT FOR PREMIUM OF 40 U.S. CENTS PER KILOGRAM OVER CONTRACT PRICE FOR ALL CONTRACTS ENTERED INTO BEFORE OCTOBER 6, 1973. WHILE NO DEFINITIVE ACTIONS HAVE BEEN TAKEN, CERTAIN CENTRAL AMERICAN COUNTRIES (NOTABLY NICARAGUA, EL SALVADOR AND GUATEMALA) ARE REPORTED TO BE CONSIDERING SIMILAR MOVES.

2. THESE ACTIONS AND THEIR PSYCHOLOGICAL IMPACT ARE PUTTING GREAT PRESSURE ON U.S. COTTON EXPORTS AS FOREIGN BUYERS BEGIN TO FEEL WE ARE ONLY RELIABLE SOURCE OF COTTON. EVEN THOUGH WORLD SUPPLY IN RELATION TO DEMAND APPEARS TO BE ACTUALLY LARGER THAN IN 1972-73 NOTWITHSTANDING SUBSTANTIAL INCREASE IN CONSUMPTION ANTICIPATED THIS YEAR, THESE ARTIFICIAL CONSTRAINTS ON FREE FLOW OF TRADE ARE CREATING SUBSTANTIAL PROBLEM FOR BOTH IMPORTING COUNTRIES FACED WITH POSSIBLE LARGE PRICE INCREASE AGAINST TEXTILE SALES BASED ON RAW MATERIAL AT CONTRACT PRICE AND ALSO FOR U.S. BECAUSE OF CONCERN OF DOMESTIC TEXTILE INDUSTRY ABOUT ADEQUACY OF SUPPLY AND OBVIOUS EFFECT ON CONSUMER PRICES. THESE EFFECTS CAN ONLY INCREASE PRESSURE ON U.S. TO TAKE SOME ACTION. SITUATION HAS ALREADY REACHED POINT WHERE SOME EUROPEAN IMPORTERS CONTACTED DURING CURRENT TRIP ARE URGING U.S. TO GO AHEAD NOW WITH EXPORT CONTROLS AT TIME WHEN ALL OUTSTANDING CONTRACTS CAN HOPEFULLY BE HONORED RATHER THAN WAITING UNTIL COMMITMENTS EXCEED ABILITY TO FULFILL AND QUOTAS BASED ON PERCENTAGE OF CONTRACT ARE NECESSARY AS IN CASE OF SOYBEANS EARLIER THIS YEAR.

3. IN VIEW THESE SERIOUS POTENTIAL CONSEQUENCES OF PRESENT UNSATISFACTORY SITUATION, RECOMMEND THAT USG APPROACH GOVERNMENTS OF IMPORTANT COTTON IMPORTING COUNTRIES AND URGE THEY MAKE DIPLOMATIC REPRESENTATIONS

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FM AMEMBASSY LONDON

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INFO AMEMBASSY BONN

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USMISSION EC BRUSSELS

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IN FAVOR OF SANCTITY OF CONTRACTS TO GOVERNMENTS OF
COUNTRIES RESTRICTING COTTON EXPORTS AS OUTLINED PARA-
GRAPH 1 ABOVE.

4. IT APPEARS SOME OR EVEN MOST COTTON IMPORTING
COUNTRIES WERE PLANNING USE 32ND PLENARY MEETING OF
INTERNATIONAL COTTON ADVISORY COMMITTEE SCHEDULED
NEW DELHI EARLIER THIS MONTH AS FORUM TO GET THESE
PROBLEMS BROUGHT TO VIEW AND DISCUSSED. NEW DELHI
MEETING HAVING BEEN INDEFINITELY POSTPONED BECAUSE OF
UNWILLINGNESS GOI INVITE ALL ICAC MEMBER COUNTRIES, IT
IS IMPERATIVE THAT ANOTHER PLENARY MEETING BE SCHEDULED
IN NEAR FUTURE. IN APPROACHING IMPORTING COUNTRIES AS
SUGGESTED PARAGRAPH 3 ABOVE, ALSO RECOMMEND USG POINT
OUT THEIR INTEREST IN HOLDING ICAC MEETING AT EARLY
DATE AND URGE THAT ONE OR MORE AGREE TO HOST SAME.
DISCUSSED THIS MATTER WITH TRADE CONTACTS IN ITALY,
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GERMANY AND UNITED KINGDOM AND WITH APPROPRIATE GOVERN-
MENT CONTACTS IN LATTER TWO COUNTRIES. ALL EXPRESSED
POSITIVE ATTITUDE ON NEED FOR ICAC MEETING SOONEST.
THEY WERE ALL AWARE THAT SANTLEY HAS ASKED BELGIUM
HOST EARLY 1974 MEETING AND EXPRESSED WILLINGNESS TO
INDICATE THEIR SUPPORT FOR SAME TO BELGIUM. BELIEVE IT
WOULD ALSO BE USEFUL IF USG MADE LOW-KEY APPROACH
TO BELGIUM POINTING OUT DESIRABILITY OF HOLDING SUCH
MEETING FROM POINT OF VIEW OF BELGIUM, HER EC PARTNERS
AND OTHER IMPORTING COUNTRIES.
DECONTROLLED FOLLOWING MARCH 31, 1974.

ANNENBERG

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30 JUN 2005

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